GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:368
ANSWERED ON:14.12.2001
GOVINDA RAO COMMITTEE ON TAXATION
A. VENKATESH NAIK;NIKHIL KUMAR CHOUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have constituted an expert group on taxation of service under the Chairmanship of Govinda Rao;

(b) if so, whether the said group has submitted its report to the Government;

(c) if so, details thereof;

(d) whether the said Group has suggested to amend the Constitution to enable the Centre and States to levy service tax concurrently;

(e) if so, the details thereof and steps taken by the Government in this regard;

(f) whether the State Government have been demanding the Union Government to introduce VAT immediately; and

(g) if so, the steps taken or, being taken by the Government on the demand of State Governments?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N.RAMACHANDRAN)

(a) , (b), (c), (d), (e), (f) & (g): A statement is laid on the Table of the House

STATEMENT REFFERED TO IN REPLY TO PART (a), (b), (c), (d), (e) & (f) OF LOK SABHA STARRED QUESTION NO. 368 TO E
ANSWERED ON THE 14TH DECEMBER, 2001

(a) Yes Sir;

(b) Yes Sir;

(c) The Expert Group submitted its Final Report in March 2001.The major recommendations made in the Final Report ,inter alia, include,-

(i) Comprehensive coverage of services under the tax net with a well-defined negative list.

(ii) A threshold exemption limit upto an annual turnover limit of Rs 10 lakhs to keep small service providers out of the purview of the tax.

(iii) Services which are developmental in nature or which cater to primarily lower strata of society, to be exempted for a limited period.

(iv) Integration of service tax with central excise duties on goods to evolve into a comprehensive CENVAT on goods and services by 2004-05.

(v) Input credit facility within the services sector immediately and inter-sectoral credit between goods and services with integration into CENVAT.

(vi) Retention of the service tax rate at 5 percent for the present.

(vii) Legilation of a separate, self-contained enactment on service tax for its administration.

(viii) Improved administrative arrangement for the levy and collection of service tax

(ix) The Central Government should consider sharing of powers totax services with the States, once the latter are committed to uniformly introduce a comprehensive destination based VAT.

(d) The Expert Group has not made any categorical suggestion for amending the Constitution at this stage.

(e) Does not arise in view of reply to part (d) above.

(f) & (g) In the conference of Chief Ministers held on 16.11.1999, all the State Governments/ UTs took a unanimous decision to simplify the sales tax system as prevailing in the States by introduction of VAT from 1.4.2002. The Government of India has only played the role of a co-ordinator and facilitator in the matter.